



3 1761 117672923

CA1  
MH 40  
-82S53

GOVT



Digitized by the Internet Archive  
in 2023 with funding from  
University of Toronto

<https://archive.org/details/31761117672923>





# Co-operative Housing Federation of Toronto Inc.

299 queen street west, suite 501, toronto, ontario m5v 1z9 tel: (416) 598-1641

CAI  
MH 40  
- 82553

## THE 1982 SOCIAL HOUSING PROGRAM EVALUATION:

A RESPONSE TO QUESTIONS AND ISSUES RAISED BY

CANADA MORTGAGE AND HOUSING CORPORATION

BY THE

CO-OPERATIVE HOUSING FEDERATION OF TORONTO

FEBRUARY 1982



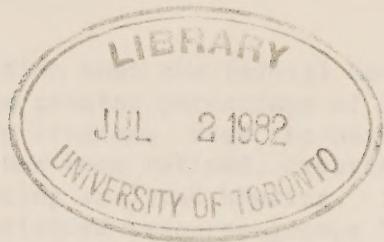
# Co-operative Housing Federation of Toronto Inc.

299 queen street west, suite 501, toronto, ontario m5v 1z9 tel: (416) 598-1641

CAI  
MH  
- 828

March 4, 1982

Mr. J.W. Sanderson  
General Manager, Ontario Region  
Canada Mortgage and Housing Corporation  
Atria North, Phase I  
2255 Sheppard Avenue East  
WILLOWDALE, Ontario  
M2J 1W7



Dear Mr. Sanderson:

RE: Social Housing Program Evaluation

Enclosed please find our reply to CMHC's program evaluation questionnaire. We appreciate this opportunity to have an input into CMHC's review of the social housing programs, and we hope our attached brief proves to be helpful.

It is now about ten years since the first eleven housing co-ops were financed under the 1970 Innovative Housing Program. Since then, some 400 co-ops have been established and more than 18,000 Canadian households now enjoy the benefits of the non-profit co-operative form of tenure.

As our brief indicates, there are a number of improvements which need to be made to the Program. We feel very strongly, however, that the Co-operative Housing Program is the federal government's most effective and efficient housing program. It is very effective at increasing the supply of housing through construction of new co-ops; at increasing the longevity and improving the quality of the housing stock through rehabilitation of existing units; at creating a stock of permanently affordable housing; and at meeting special housing needs, such as housing for the elderly and disabled. Housing co-operatives fulfill these national housing needs within a form of tenure which permits low and moderate income Canadians to manage their own housing in democratic, self-governing communities.

The Co-operative Housing Program is also the most economically efficient federal housing program. Unlike assistance to private sector housing, public assistance to housing co-ops remains forever within the public domain. A public investment in shelter is being made, not a public contribution to a private equity investment. Non-profit co-operatives are never resold. They remain independent of the speculative inflationary trends of private sector housing and are therefore permanently affordable.

Futhermore, unlike public and private non-profit projects, housing co-operatives create self-managed, socially mixed communities. They combine the best features of both ownership and rental housing. There is a direct economic incentive to keep operating costs down, and this quality in addition to their non-profit nature, make co-ops the best vehicle for channelling income tested rent supplement funds. The gap between the full recovery housing charge in a co-op and the amount a lower income household can afford to pay is smaller than in either public or private sector housing.



In the private sector, the economic incentive is the exact opposite: to continually maximize rent levels. The managers of public and private non-profits also lack a direct incentive to be efficient, since costs can simply be passed on to tenants or the government. For example, a recent comparison of rents in Cityhome and co-op projects in the City of Toronto found charges in the co-ops to be an average of 10 to 15 percent lower. A household with the same income would, therefore, most likely require a lower rent supplement in a co-op than in any other tenure form.

For reasons such as these, it is our recommendation that the federal Co-operative Housing Program be expanded and that a greater percentage of the social housing budget be directed into the Co-op Program. Over the past ten years, the Co-op Program funding mechanism has been refined, creating, we feel, a very sophisticated approach to financing assisted housing. In addition, a growing number of increasingly experienced resource groups have been established, increasing the co-op sector's capacity to efficiently deliver good quality new and rehabilitated housing, on a significant scale. In the co-op sector, therefore, we have an extremely good program and an extremely effective and capable delivery mechanism in place. It took ten years for this program and this capacity to evolve and it should be fully utilized to meet Canada's serious need for affordable housing into the 1980's and beyond.

We are very concerned about the image critics of assisted housing are attempting to give the public, private and co-operative non-profits -- an image that huge numbers of high income people are benefitting from the program. We are confident that your survey will clearly demonstrate that this is false. This type of criticism is, however, causing some current problems, especially over the setting of "low end market" in new co-ops. The sooner this can be dealt with the better. Higher initial housing charges mean that the income profile of non-rent supplemented households must be higher. If they are higher to start with, won't they continue to be on the high side into the future? Conditions for a self-fulfilling prophecy are, we fear, being created. CMHC should not give in to development industry pressure and raise "low end of market" charges even higher. Instead, CMHC and the co-op sector, should make a concerted effort to counteract the negative publicity which the non-profit programs have received.

If CMHC feels that not enough low income households are being housed in non-profit projects the only solution is to increase the total federal subsidy to each project or to negotiate with the provinces to increase their assistance. Once the basic project economics are established, playing around with the low end market will not increase the total subsidy. The best it will do is increase the number of low income households served, but at the expense of moderate income households. Since the purpose of the non-profit programs is to alleviate the housing problems of both low and moderate income Canadians and to house the poor without creating ghettos, any program changes which would impair the ability of projects to house moderate income households would be undesirable.



Letter to  
Mr. J.W. Sanderson  
March 2, 1982

- 3 -

A problem area which our brief does not identify that is impeding the delivery of the non-profit programs is the ambivalent attitude of many CMHC staff. We have found that staff at the local branch level often do not understand or sympathize with the intent of the programs. High interest rates have increased the subsidies involved and exacerbated this difficulty. Program staff have allowed their personal political views to interfere with the orderly administration of projects. We find such behaviour inappropriate on the part of public servants.

Partly as a result of this attitude, and partly as a result of the inherent conflict between CMHC's roles as expeditor of housing delivery and protector of the public purse, the administration of the Co-operative Housing Program is overly bureaucratic. We are concerned that CMHC's "hand holding" approach to administering projects adds considerably to their cost, fuelling the arguments of critics of the program in the process. We would strongly urge CMHC to streamline its requirements when it is dealing with experienced resource groups and adopt an attitude of mutual trust and co-operation.

In conclusion, we would once again state that CMHC should look upon its non-profit programs, particularly the Co-operative Housing Program, as the most effective tool it has yet discovered to meet the growing housing needs of Canadians. CMHC should improve its programs, streamline the delivery process to reduce costs and encourage greater production, and urge the government to increase the social housing program budget.

Yours truly,



Mitchell Cohen

MC:lm







# Co-operative Housing Federation of Toronto Inc.

299 queen street west, suite 501, toronto, ontario m5v 1z9 tel: (416) 598-1641

## THE 1982 SOCIAL HOUSING PROGRAM EVALUATION:

A RESPONSE TO QUESTIONS AND ISSUES RAISED BY  
CANADA MORTGAGE AND HOUSING CORPORATION

February, 1982

- 
1. What do you consider to be the objective of the Non-Profit, Co-operative, Public Housing and Rent Supplement Programs?

During the CMHC/Ontario Ministry of Housing study of non-profit housing programs in Ontario, this same question was raised.

See our position paper entitled "On the Definition of Goals of CMHC's Social Housing Program" in Appendix "A".

To this we would add that the purpose of the Rent Supplement and Public Housing Programs is exclusively to provide shelter to poor families, elderly and disabled persons, while the Non-Profit Programs have the additional purposes of increasing the supply of housing, upgrading the existing housing stock and addressing the housing affordability problem experienced by poor single people and moderate income Canadians generally.

- 
2. How well do you feel the programs are serving identified needs in your area? What are the constraints on how well they are meeting needs?

Because the Federation is involved in the delivery of the Co-operative Housing Program, we will confine our comments to this program.

### 2.1. Housing Needs

We feel the Co-operative Housing Program has been very successful in serving the housing needs of low and moderate income Canadians.



The program enables co-operatives to increase the supply of new housing; provide housing which is affordable, not only in the short term, but also in the long term; increase the quality of Canada's existing housing stock; and increase the quantity and quality of housing capable of meeting the special needs of the disabled and the elderly.

These are needs which market conditions prevent the private sector from serving.

1) Supply of New Housing.

Whenever co-operatives build new housing or convert buildings from other obsolete uses they increase the overall supply of housing in their community. The government need not rely exclusively on the private development industry in tackling supply problems. A well developed co-operative sector could contribute very significantly to the supply problem, drawing on the resources of the private building industry, as has happened in Sweden.

2) Affordable Housing.

A growing percentage of Canadians cannot afford to buy their homes, nor can they afford the economic rents of new housing. The poor have always had an affordability problem under any conditions. But under current conditions, and likely future conditions, a growing percentage of moderate income households find private market housing completely out of their reach.

Under these conditions, what other alternative is there but for an active public role in assisting in the provision of housing at affordable rents? We feel the Co-op Housing Program is the best approach to meeting this immediate and long term housing need. The co-op program increases the stock of non-profit, affordable housing available to low and moderate income Canadians in a form of tenure which combines the best features of ownership and rental.

Housing programs which subsidize private sector housing do not contribute to long term affordability. They contribute to the private speculative gain of the owners. Also, shelter allowances do not contribute to creating a stock of permanently affordable housing in Canada. If the rent supplement subsidies



were increased, co-ops could house an even higher percentage of low income households than they do now. In addition, the rent supplement funds would assist more people when applied to the non-profit co-op housing units, rather than private sector units which rent at much higher levels.

We feel the Co-op Housing Program has the greatest potential of any public program to address the affordability problem in both the short and long term.

3) Non-profit Housing.

The non-profit approach is the only possible approach to the maintenance in the long run of a stock of affordable housing in Canada. Non-profit housing is an investment in shelter and not a speculative investment. Public expenditures on non-profit housing, therefore, remain permanent investments in shelter.

Most of Canada's post-war expenditures on housing assisted private market housing. These programs successfully contributed to the supply of housing but failed to address the long term affordability issue. The current non-profit housing programs do both -- they increase the supply of housing and create a supply of permanently affordable housing.

For these reasons, government housing assistance should be concentrated in non-profit housing. In addition, we feel most of the investment in non-profit housing should be directed into the co-op housing program. The co-op form of tenure helps relieve an outside authority of day-to-day management and tenant relations problems and helps create a stock of collectively owned housing as an alternative to and replacement for private home ownership.

4) Improvements in the Quality of the Housing Stock.

The Co-operative Program has enabled rehabilitation co-ops to improve the quality of older housing stock while at the same time maintaining its affordability.



The private sector rarely engages in substantial renovations to existing rental housing, except in cases where the housing is to be converted into luxury rental or condominium units. Quite often this involves a loss in the number of units, as smaller units are converted into larger ones. It always involves a dramatic increase in rent or resale values.

When the co-op program is used to rehabilitate existing rental stock the quality is improved without eliminating units from the stock of affordable rental housing.

5) Senior Citizen Housing.

The private market cannot supply affordable housing to Canada's growing elderly population. The senior citizen housing component of CMHC's social housing programs is the only means of meeting the housing needs of seniors with low and moderate incomes.

We recommend that the federal government discourage, if not prevent, the construction of bachelor units for seniors. This practice goes back to the public housing ideology of the 1950's in which the "worthy poor" would be provided with the most minimal standard of housing, so as not to compete with private market housing. The cost of the few additional square feet to create a separate bedroom in seniors' apartments is not very great. It would provide a single person with more adequate living space and room to expand the household. All surveys have shown that seniors very much resent this apparent insensitivity of non-profit and public housing agencies.

Another reason for not building senior citizen projects with bachelor units is a very practical one. What happens if there is no longer a need or demand for senior citizen accommodation in a certain area at some point two or three decades from now? An apartment building with one bedroom units can be converted to use by the general population if need be, whereas a building full of bachelor units leaves few options. Public investment in the housing stock must take into consideration such longer term contingencies.



We recommend that senior citizen buildings house a slightly greater age distribution of about 55 years and up and that such buildings contain up to 75% one bedroom units and 25% or more two bedroom units. The one's are suitable for either single people or couples, while the two's are designed for couples. The two's provide a bit more space -- for visiting relatives, grandchildren, etc. Many elderly would leave their houses if they had a reasonable alternative, freeing up homes for growing families.

6) Housing for the Disabled.

The non-profit housing programs are also the best vehicle for delivering new units designed for the disabled. These units are integrated with the rest of a project and provide good quality affordable housing in a community setting for independent disabled people. This is preferable to requiring disabled people to live in ghettos of the poor or elderly. Co-operative projects are particularly good because they provide disabled people with greater opportunities to play a role in the governing of their community.

The Co-operative Housing Program has also served to address the following needs, which are not the expressed concerns of CMHC, but which are nonetheless essential.

7) Family Housing.

Families with low and moderate incomes have an especially difficult time finding affordable housing of an adequate size and quality. Of all the social housing programs, the co-op program is best able to meet this need for family housing.

In the larger urban areas, the private sector has become totally incapable of supplying affordable family housing to low and moderate income families. Other parts of the social housing program tend to focus more on other needs. For example, 64% of the City of Toronto's non-profit housing stock (Cityhome) consists of rooms, bachelor units and junior one bedrooms. This is not a criticism of Cityhome or the other private and municipal non-profits. Rather, it is simply noting that they are designed to meet a number of different needs.



The focus of the co-op program, and of people in the co-op sector, is on affordable family housing. The one bedroom unit counts are always kept to a minimum and very few bachelor units are built. Every attempt is made to build 2, 3, and 4 bedroom townhouse units with direct access to grade. This is not always possible, but the performance of the sector to date has been extremely good. Unlike the private sector, the co-op sector does not build three and four bedroom units in upper floors of highrise buildings, which, by our standards, is not adequate family housing.

8) Self-Managed Housing.

One need which the Co-op Program serves that public and private non-profit housing do not is the need of residents to have control over their shelter.

The co-operative form of tenure combines the best features of homeownership and rental. As with ownership, residents have security of tenure, full control over management decisions and an incentive to maintain and improve their property. Co-operative ownership encourages self-reliance. As with rental, they do not have to make an equity investment to live in a non-profit co-op. With homeownership costs increasing dramatically and multiple unit housing increasingly the norm, the importance of this unique feature of co-operative housing should not be underestimated.

In summary, we feel the Co-op Housing Program has been and remains very successful in meeting needs which would otherwise not be met. The current program evolved and benefits from the experience of previous post-war housing programs. While there are, and will be, a host of administrative matters which need to be improved in the course of the day-to-day implementation of the program, the program itself is basically sound and is very successful in meeting its objectives.

The one need the program is not meeting adequately relates to the quantity of units being produced. Over the past few years the general inflation rate, the increasing interest rate and the inflation of real estate and building costs have increased the percentage of Canadians unable to afford market housing.



The Co-op Housing Program needs to be expanded. The most basic argument in favour of increased spending on co-op housing is that it is both a short term and long term national investment. In the short term it creates jobs in the construction sector and adds to the current housing stock, in the long term it creates an ever growing permanent stock of non-profit, affordable housing. Unlike other possible programs, the current non-profit housing program keeps the public investment permanently in the public domain. Public money spent on non-profit housing is money spent on shelter and does not create profit or a future capital gain for a private individual or firm.

## 2.2. Constraints on Meeting Housing Needs

We would identify three major constraints:

- 1) Inadequate unit allocations;
  - 2) Inadequate rent supplement assistance; and
  - 3) Inadequate MUPs for urban land.
- 1) There are enough experienced resource groups to supply more co-op housing than is currently being funded. The need for affordable housing is tremendous throughout the country, and especially in the larger urban areas. The co-op sector is capable of increasing its production of co-op units and the government should allocate to it a greater share of its budget.
  - 2) Co-ops have also been unsuccessful in convincing provincial governments to establish and/or improve rent supplement programs so that a greater percentage of co-op units could be used to house very low income families and individuals. By providing unilateral Federal assistance for Income Tested Subsidies, the federal government's 1979 program was a step in the right direction, however, in many areas of the country, only a small percentage of households are assisted by the ITS pool. Co-ops want to increase the number of lower income households they serve, but the government funding simply is not there. Rent supplement subsidies are not deep enough to house a significant number of the very poor.
  - 3) In urban areas, where the need is greatest, it is very difficult to find sites for new housing co-operatives. In addition, land and construction costs are so high that, even



when a desirable site is found, it is often the case that a proposed project is not financially feasible within the federal funding formula.

These problems are compounded during periods when the real estate market is in a dynamic inflationary phase. During the real estate boom of the first six months of 1981, for example, it was virtually impossible to find either a building site or an existing building available at prices feasible within the funding constraints of the program. If the inflationary boom had continued it is likely that very little of the 1981 unit allocation would have been used.

The program, therefore, is very much at the mercy of the real estate market. When the market is in a boom, land prices are determined by the owners inflated expectations. The maximum unit prices (MUPS), however, are based on more realistic assessments of market prices. The result is that land or existing projects cannot be obtained by the social housing sector. Our sector has the additional problem of only being able to sign conditional offers. An owner has to give us an option for a fairly lengthy period of time, with no guarantee that a purchase will result. During an inflationary period, most owners refuse to sign such conditional offers. They hold out, hoping that an even better offer will be made.

These constraints can be overcome. We would recommend the following concrete steps:

- 1) The Federal government should increase the total social housing unit allocations and should direct a larger share of those allocations to co-operative projects.
- 2) Increased subsidies should be made available for low income households. The federal assistance formula should be revised to permit deeper subsidies in high cost areas and areas with lower than average incomes. The federal government should actively join in with the co-op sector in each province to have a provincial rent supplement program established and/or improved.
- 3) CMHC's Land Banking Program should be re-established. The most effective way to solve the problem of finding sites for social housing is to re-establish the federal land banking program. The



program should be focused on metropolitan areas in which the problem of finding sites is most serious. Such a program would allow the purchase of a site for future use and, in the case of large municipal land assemblies such as St. Lawrence and False Creek, it could be used to help provide a great deal of non-profit housing in a socially mixed neighbourhood. The St. Lawrence and False Creek projects permitted the construction of assisted housing on land which would otherwise have been impossible for individual non-profit developers to obtain.

- 4) CMHC must establish more sensitive Maximum Unit Prices. Maximum Unit Prices must be more sensitive to changes in the local real estate market and fluctuating interest rates. We have found a rather long lag between the time when it becomes impossible to build within current MUPs and when they are finally revised. This seriously interferes with the efficient planning of potential projects. We do recognize that this is easier said than done. We also acknowledge that in the recent year steps in this direction have been taken.

3. How do you feel the programs complement or conflict with provincial housing programs?

We will confine our comments to the 1979 Co-operative Housing Program and the Province of Ontario's complementary program, O.C.H.A.P. (Ontario Community Housing Assistance Program).

While O.C.H.A.P. is not unuseable, it does not mesh very well with the federal program. The problems are:

- 1) the Province takes a different approach to allocating rent supplements;
- 2) administrative guidelines differ from CMHC's; and
- 3) subsidy agreements are limited to a five year term.

The Province limits both the maximum subsidy dollars available to a project and the proportion of income-tested households (to 25% in family projects and 50% in seniors projects). CMHC does not impose a maximum on the number of income-tested households in a project.



Many co-ops cannot access OCHAP because they already meet or exceed the Province's limit using only the federal subsidy. Nonetheless, they would like additional subsidies in order to serve more low income households or to house a greater number of households on social assistance, without jeopardizing their ability to house working people who also need subsidies and without creating an unwanted gap between poor and moderate income families. OCHAP does not permit this. Co-ops which opt into OCHAP have considerable difficulty meeting two sets of administrative requirements, adhering to differing regulations and accounting separately for two subsidy pools.

CMHC commits its subsidy for thirty-five years while the Province ties itself in for only years at a time. Co-ops are insecure about taking on the burden of housing low income people without a long term subsidy agreement with the Province.

4. Are you aware of specific steps that have been taken to reduce operating costs in projects?

Co-operatives are in a unique position with respect to controlling operating costs. The residents are also the owners and, hence, have a direct incentive to control operating costs. In addition, the Co-operative Housing Program subsidy is not "bottomless". The maximum 56.1 assistance and the subsidy withdrawal schedule are established at the outset and are subject to change only when the mortgage rolls over. After year one, a co-op sets its own operating budget and housing charges. Housing charges must be sufficient to meet all costs; the co-op cannot turn to the government to meet its operating losses. In addition, there is a limited income tested subsidy pool. A co-op must be budget conscious in order to meet the ongoing subsidy needs of its members. As well, if there are savings in operating costs, the members benefit directly. Finally, there is a strong savings ethic in co-operative communities; housing co-ops are always on the lookout to save money.

These factors combine to create a strong incentive to control operating costs in housing co-operatives. We have seen many co-ops take some or all of the following steps:

- convert to individual metering of utilities to encourage conservation and a sense of individual responsibility for costs
- hire consultants to recommend means of reducing energy costs



- implement energy conservation measures (e.g. install water saving devices, reduce hot water temperatures, install night set-back thermostats, etc.)
- initiate various capital works to reduce energy and maintenance costs (e.g. installation of storm windows, upgrading of insulation, upgrading of building finishes)
- retain operating surpluses to finance these capital works instead of lowering housing charges temporarily to "use up" the surplus
- impose special levies on themselves or raise housing charges to generate additional reserves for capital improvements
- research and implement preventive maintenance techniques
- require a volunteer labour commitment to reduce maintenance costs
- organize volunteer capital improvement projects
- successfully appeal property taxes
- obtain competitive bids on service contracts
- enforce individual responsibility for damage and abuse to property through maintenance deposits, a program of unit inspections and charge backs for damage
- strictly control housing charge arrears
- implement spending controls and procedures to control dishonesty
- adopt efficient selection and allocation procedures to avoid vacancies
- adopt a regular budgeting schedule and review housing charges annually to avoid losses

5. To what extent are older Non-Profit Co-operative and Public Housing projects in need of repair?

---

Due to a lack of experience on the part of CMHC and the co-operative groups, these projects have been obliged to undertake major improvements within their first ten years. Several co-



ops, e.g. Bain Apartments Co-operative in Toronto, have self-financed these improvements. Others have been obliged to seek additional assistance from CMHC.

Similarly, the earliest new construction projects were not built to a sufficient standard and have required major upgrading and repairs within their first ten years. Several of these projects have been forced to turn to CMHC for financial assistance.

We hope that higher rehabilitation standards, more stringent building codes, and better design of new projects will reduce this problem in the future. However, there is still significant resistance on CMHC's part to increasing initial construction costs in order to reduce future maintenance and replacement costs. As well, CMHC appraisers have held co-operatives to what we feel are inadequate replacement reserves for cyclical maintenance and redecorating.

CMHC cannot afford to look at rental housing as the private market does. Social housing projects cannot be dumped onto the market when they require costly repairs. They must be viewed as a permanent social investment. If they are well designed, well built and well maintained, and adequate reserves are set aside for major replacements, they should last indefinitely.

---

6. Has modest, appropriate housing been provided? Is it affordable to low and moderate income families and individuals? Will projects continue to be affordable for the intended clientele?

---

6.1. Modest and Appropriate

These terms are defined by Webster's Dictionary as follows:

Modest: limited in size, amount, or aim; unpretentious.

Appropriate: especially suitable or compatible; fitting.

This question begs a further question: modest and appropriate in comparison to what?

On the one hand the question of "modest and appropriate housing" is a legitimate and important public policy question. Are public funds being used as efficiently as possible so as to produce the greatest number of good quality housing units at the lowest public cost?



We feel that modest and appropriate housing is being provided by the co-operative sector. In the early years of the program, an attempt to be too "modest" led to a number of structural, maintenance and sometimes vacancy problems in many projects. Trying to be too modest is counter productive in the long run. In more recent years the MUPs have been just adequate enough, in most cases, to build housing which is good structurally, which has an adequate grade of finishes for maintenance purposes and which has at least some architectural design features so that it is not a "blot" on the surrounding neighbourhood. The unit sizes in new construction co-ops are certainly modest; any smaller and they would be border on being inadequate.

When the issue of "modest and appropriate" is used ideologically, as it has been recently, it is little more than a political attack, motivated by the private development sector, on successful programs which do not directly subsidize their development activities and programs which provide good quality housing on a non-profit basis, that is, outside the private development sector.

It is a curious line of argument because it is no longer based on principle -- the principle that government should not be involved in housing, that housing should be left entirely to the private market. Rather, it is now an argument which states that there should be public subsidies for the private sector, that public funds should assist in creating capital investments for private owners.

From this self-serving perspective, any government program which assists in the construction of housing outside the private sector is not "appropriate". The "appropriate" role of government in housing is seen as assisting the private profit making sector.

Furthermore, where government does assist housing, such housing must be "modest" so as not to compete with the private sector. This goes back to the 1950's public housing program in which government assisted housing was seen as a merely temporary measure for a family. Once this family had enough money, it was expected to enter the regular private housing market. Therefore, all publicly assisted housing to be "modest", that is, of inferior quality and very limited size and amenities, so as to provide an incentive to people to move out.

This line of argument was only plausible when there was still some basis to believe that the private sector could provide affordable housing for Canadians. This is not currently possible and is not likely to be possible in the future.

Our point here is that, in reviewing its social housing programs, CMHC officials should not continue to hold onto a logic which does not apply to the present and future housing situation in Canada.



Post-war housing programs were based on the belief that all government should do is assist in creating a Canadian home building industry. This approach was successful in that there is a well established development industry in Canada today. The gap between economic rents and market rents, however, prevents affordable housing from being produced by the private sector.

This private market approach neglected to foresee the affordability problem. Private sector housing is not simply shelter in our society. It is an investment. As an investment there is no incentive to keep house prices and rents moderate or to be satisfied with a moderate rate of return. Combine this with a continually high rate of inflation and high interest rates, more and more Canadians cannot afford private sector housing.

Our argument, on both equity and efficiency grounds, is that the only appropriate housing approach is one based on the principle of public investment remaining in the public domain, as it does in the CMHC social housing programs, or else the long term affordability issue is not being addressed.

We agree that social housing must be "modest" housing in order to achieve as much as possible with limited public resources.

We do not agree that this is to be defined as the cheapest and least pleasant form of housing. The social housing stock must be viewed as a long term investment in good quality, affordable housing.

In summary, "modest" and "appropriate" are subjective terms. In using them, the following must be kept in mind:

- 1) The 1950's approach to "modest" and "appropriate" housing is no longer applicable. Publicly assisted housing is not a temporary measure, assuming that people will "improve" themselves and move into private sector housing. The income distribution in Canada has not changed since the 1950's and the private sector cannot house an increasing percentage of the population at affordable rents (i.e. 25% to 30% of gross income). Neither of these facts is likely to change, therefore, government has an appropriate role to play in the provision of housing.
- 2) The view of "modest" housing often fails to take into account the need to design in a manner to reduce long term maintenance and energy costs. Keeping operating costs as low as possible in social housing helps retain the long term affordability of this housing stock.



- 3) The building design and construction should maximize the useful life of the building. Social housing units remain permanently in the public domain. With proper design standards, this housing could and should last for more than just a few decades.
- 4) Standards must be high enough so that the "modest" social housing projects can be integrated into neighbourhoods. They should not have to "look like public housing".
- 5) The quality of life in a project must be enhanced, not in terms of luxury items, but by such things as adequate standards of sound separation, good quality common spaces, and so on. This is increasingly important as fewer and fewer Canadians can afford the luxury of a detached single family house.

#### 6.2. Affordability of Co-operative Housing

We feel that the current Co-operative Housing Program does provide housing which is affordable to low and moderate income Canadians. Our own surveys have shown that co-operatives are housing a significant number of low income households and a majority of moderate income households.

We would identify, however, the following constraints which limit the effectiveness of the program in serving its target group:

1. Outside of major urban centres, a larger proportion of moderate income families can afford to purchase their own home. The attractiveness of non-profit housing to this segment of the population is more limited. Unfortunately, project economics and the available subsidies do not enable co-operative projects to house a majority of low income households, although the demand is greatest from this group.

CMHC should recognize this phenomenon and modify its program to make it equally effective in large urban centres and smaller communities.

2. In large urban centres such as Metropolitan Toronto where land costs are very high, the federal subsidy alone is not sufficient to permit new construction projects to house a significant number of low income households. Unfortunately the effectiveness of the Ontario government's rent supplement program is limited because of the problems set out in our answer to question 3. (Nonetheless, our new co-



operatives are opting into the program rather than not house low income people at all.)

CMHC should negotiate with the provinces to ensure compatibility of their programs with the Co-operative Housing Program.

3. The ability to house low income individuals, as opposed to families, is extremely limited in new construction projects in high cost areas. The Ontario government rent supplement program cannot be used to subsidize individuals unless they are elderly or disabled. Yet there is a pressing need for affordable housing for single adults in our area.

CMHC should press the Province of Ontario to recognize this need and change its regulations accordingly.

4. Ever increasing "low end of market" rents are threatening the ability of co-operatives to house moderate income households. While in theory given the same economic rent the same average income can be served, no matter what the low end of market rent, in fact, fewer moderate income households are attracted when the housing charges are set at a higher level. This is because moderate income households do not expect or want to be housed on a rent-gearied-to-income basis. As long as they can find housing in the rent controlled market they will choose it first. Co-operatives can always find more low income households to fill their project and use up the income-tested subsidy fund, however, these low income households must be offset by households with higher than average incomes who can afford the full housing charge. Two problems then arise: the social mix of the co-op is threatened by the absence of moderate income people; higher income people may not be attracted to the units because of their modesty.

CMHC should revise its basis of establishing low end of market in order to more effectively meet its target group of moderate income households. This can be done without changing the formula for calculating the maximum federal assistance.

#### 6.3. Continued Affordability

The principle behind the federal subsidy is a good one. Part of the subsidy is for an interest reduction grant (IRG) and the rest is allocated to an income-tested subsidy pool (ITS). Over time, the subsidy is transferred



from the IRG to the ITS. This enables co-operatives to continue to serve their low income members. Where conditions are favourable, co-operatives can house an increasing number of low income households over time.

7. One of the objectives of the program is to achieve income integration. Has income integration been attained? What are the advantages and disadvantages of income integration?
- 

Housing co-operatives in Toronto have approximately 25 to 35 percent of their households receiving rent supplements. In addition to this large group of very low income households there is a majority of moderate income households and, in most co-ops, a small group with above average incomes.

Our experience is that the social mix concept is working very well in housing co-operatives. "Communities", rather than "projects" are being created. The co-op form of tenure and management combines with the social and income mix of each co-operative to create a very desirable and successful residential environment. Each co-operative benefits from different occupational backgrounds, available time, attitudes, skills and experiences of its members.

Rather than being just a hollow sociological concept, the social and income mix objective is the key factor behind the fact that self-managed housing co-ops for low and moderate income people have been so successful over the ten year life of the program. The exact mix within a co-op varies, depending largely upon location. Different social groups often prefer to live in different parts of a city for different reasons.

Aside from the many social factors which make income integration desirable, there are several very practical benefits. The mix of incomes brings with it a mix of skills, creating a group of residents who are capable of managing their housing on a volunteer basis. Housing co-ops, therefore, relieve public bodies of the burden of managing rental accommodation. The voluntary effort and pride of ownership helps lower management and maintenance costs, maintaining the affordable nature of the housing and reducing the cost to the government.

In addition to providing a range of skills to a co-op, income mixing creates housing which tends to be much more acceptable to local ratepayer groups than public non-profit housing. We



have found many ratepayer groups favouring a co-op development over other assisted rental housing options. This is because of the income mix and because co-ops have many of the characteristics of ownership housing. The co-op form of tenure combined with its income mix tends to attract a group of people who very constructively participate in community affairs, school board matters, and the like. The fifty co-ops throughout Metro Toronto have obtained a very good public image in their neighbourhoods. This often helps make the approvals process for the development of new co-ops somewhat easier and supports our belief that income integration combined with the co-op form of tenure is the best approach to housing low and moderate income people and of successfully integrating them within their surrounding neighbourhoods.

8. Is the Maximum Unit Price an effective and appropriate mechanism to produce modest housing? What are the impacts of MUP's on project costs, subsidies and viability?

The problem of ensuring that public funds are used wisely and efficiently in the development of modest cost housing is a very difficult one. Any administrative arrangement has its limitations and complexities.

Overall, the MUP mechanism appears to be the best control in theory. It provides very clear, objective guidelines by setting the maximum allowable cost for units of different types. The mechanism focuses on project cost, which is the best definition of "modesty".

In practice, there have been and are many difficulties in its administration and implementation. These, we feel, can be dealt with. In the past, several problems have been successfully resolved by negotiations between federal and co-op representatives. We have no reason to doubt that, as the sector and government officials gain more experience with the program, some of the problems with the MUP cost control mechanism will be sorted out.

We have not yet heard of a convincing alternative to the MUP mechanism and, therefore, recommend that it be retained with a number of improvements. These include:

1) More Sensitive MUPS.

MUPS must be more sensitive to local real estate conditions, interest rates and construction costs. They must be adjusted more often and some degree

✓

of freedom must be given to local CMHC offices. The spirit, and not necessarily the letter, of MUP regulations must be enforced. Too many good projects have been unnecessarily delayed because of problems with the administration and interpretation of MUPS.

2) Senior Citizen MUPS.

The large gap between MUPS for family units and units for the elderly does not make sense. The June 9, 1981 Toronto MUPS contain a \$5,500 difference for 1 bedroom walk up apartments and a \$4,500 difference for 1 bedroom elevatored apartments.

Discrimination against people because of their age should not be federal policy. The MUP guidelines recommend significantly (21% for a one bedroom, 6% for a two bedroom) smaller units for a group of people simply because they are a few years older than other people. On what grounds can this form of housing discrimination be justified? (There is a viability issue as well. Unit sizes for seniors units were evidently taken from Ontario Housing Corporation standards. The standards applied previously to 100% rent/geared-to-income projects. While poor elderly persons may have no choice but to accept these small units, moderate income seniors do. They are unlikely to pay market rents for substandard units.)

Seniors who move out of their houses into an apartment provide a tremendous social benefit by freeing up a house for the potential accommodation of a family. This should be encouraged by at least creating accommodation equivalent to that being provided to others in society. As mentioned above, federal policy must also discourage the construction of bachelor units for seniors.

A final reason why separate MUPS for seniors should not be established is so that seniors can live in established residential areas. In Toronto, 28% of the population in the Bathurst/Eglinton area consists of people 65 years or older. Seventeen percent of all of Metro Toronto's seniors live in the North Toronto area of the City of Toronto. Seniors want to live in or near the neighbourhoods they lived in for most of their lives. But to build in these areas is more costly than the outer suburbs, where seniors don't want to live. Federal MUP



policy must be sensitive to this desire of seniors by encouraging the construction of good non-profit accommodation in these existing neighbourhoods. In return we may find more seniors deciding to leave their houses for apartments.

(For an excellent survey of the housing attitudes of seniors see: The HINTS Report: A Survey of Seniors Housing in North Toronto, by Housing in North Toronto for Seniors, 65 Sheldrake Blvd., Toronto. March, 1981.)

3) Concrete Construction and Underground Parking.

The MUPS are often inadequate for urban apartment building forms. The more expensive concrete construction and underground parking cannot be avoided in the larger urban areas.

4) MUP Differentials Within Unit Type Are Often Unrealistic.

---

The differential between unit sizes, e.g. a two bedroom and a three bedroom townhouse, are often unrealistic. They should not be based strictly on the square foot size difference.

5) Double Equity Penalty.

Where a co-op goes over the MUPS, either at commitment or on completion, the double equity penalty is unfair. Paying the cost itself, i.e., a "single" penalty, is a strong enough incentive for a group to avoid going over the MUPS. In some cases it is appropriate for a group to exceed MUPS with their own equity, in order, for example, to help reduce long term maintenance and operating costs, or to make a project on a small, inner city site viable. The double penalty aspect should be eliminated, or the number of allowable exceptions at least should be increased.

In summary, we feel the MUP mechanism, while not perfect, is the best mechanism for defining "modest and appropriate" housing. Other mechanisms have too many problems. A definition of modest housing, for example, is simply too subjective and problematic to be operationalized. In addition, it implies that modesty derives from the features or amenities of a unit, rather than its cost. The purpose of requiring modest housing, after all, is



not to ensure that low and moderate income people don't get something they don't deserve, but rather to maximize the reach of a limited federal budget.

MUPS have another positive feature over alternative methods. They provide co-ops with an effective bargaining tool with turn-key developers. Without MUP limits, the negotiations would be extremely difficult, and all parties, the builder, co-op and CMHC would end up disputing numerous criteria, standards and costs.

9. What incentives are there to encourage groups to seek out the best possible financing arrangements? Are there difficulties experienced in obtaining private sector funding?

The answer to the first question depends on what is meant by "best possible financing arrangements". We would define this to include a combination of a good interest rate, reasonable fees and loan conditions, appropriate term, familiarity with the Co-operative Housing program and CMHC procedures, a minimum of "red tape" and requirements beyond those of CMHC, flexible advancing procedures, the absence of "sunset" clauses, reliability, acceptable documentation, willingness to use the borrower's solicitor, etc.

There is considerable incentive to seek out the best financing arrangements in order to ensure project viability and smooth project administration.

To date, we have had no insurmountable problems obtaining mortgage money. However, fluctuating interest rates have disrupted the normal flow of capital for mortgages. When the supply of funds is tight, private investors can be extremely choosy about which projects they will finance, preferring their regular clients and loans for less than 100% of the project value (even though our loans are fully insured). Lenders are also reluctant to fix the interest rate prior to I.A.D. if rates are fluctuating. This reluctance often rules out a particular lender. CMHC should acknowledge its role as lender of last resort and budget a small supply of loan funds each year.



10. Has the "best-buy" principle been followed and has it been effective in the development of projects?

The "best-buy" concept has not been effective for two reasons:

- 1) It conflicts with other CMHC objectives. For example, rehabilitation projects are presently by far the "best-buy". It costs significantly less to buy and substantially renovate a multiple unit project than to build a new, usually inferior, project. And often existing buildings can better serve a client group's needs. However, one of the main objectives of the program, and CMHC's current priority, is to increase the number of new housing starts. This priority is a valid one, however, it prevents co-ops from seeking out the "best-buy".
- 2) The "best-buy" theory assumes that a typical group is confronted with a wide range of choices which meet its needs, and that federal budget constraints dictate that it choose the most economical alternative. This theory is not meaningful in large urban centres where affordable land is so scarce, construction costs are so high and M.U.P.s are so restrictive that the development opportunities within the MUPs do not meet the demand, or, if they do, do not vary significantly from each other. The very economic conditions which increase program demand reduce project alternatives and make the "best-buy" principle unnecessary.

11. How effective is the pre-development funding available through the Start-Up Program funded under Part V of the NHA?

The intent of start-up funding is to provide risk financing to projects which otherwise could not proceed to loan commitment. Start-up funding is necessary in all but some turn-key new-construction projects and technically straight-forward rehabilitation projects.



Our experience is that the current program (established in 1981) works reasonably well. The following modifications would improve its effectiveness:

- 1) Increase Phase I funding to pay for more architectural work and ease the requirements for Phase II funding. It can cost more than \$20,000 to prepare a Phase II application while the Phase I funding limit is \$10,000.
- 2) Increase the maximum funding for architectural fees from \$750 per unit to \$1,500 per unit. There has been considerable inflation in costs since the \$750 limit was established.

Services up to and including preparation of contract documents represent about 75% of the total architectural and engineering fees. If the total consultants' fees exceed \$1,000 per unit (which they do in every case; in some cases they are more than double this), the consultants cannot be paid all they are owed unless the project proceeds. Until it does proceed, they must carry a very large receivable. Given today's interest rates, no consultant can afford to carry large receivables. In effect, the Start-Up Program requires the consultants to match CMHC's risk financing. This is beyond the scope of normal architectural services and unacceptable to most architects.

---

12. How effective is the Community Resource Organization Program? What type of assistance do these groups provide?

---

As the Federation is not a C.R.O.P. funded resource group, we cannot comment on the current program. We can only say that a comprehensive, non-government delivery network is essential for the expansion of the co-operative sector and that government funding is essential in getting resource groups in new areas off the ground.



13. What are the impacts on subsidy levels of the operating procedures for projects containing non-shelter facilities? Are the rent levels on commercial space and provincial subsidies for care units adequate?

Under the current Co-operative Housing Program, non-shelter facilities are economically independent of the shelter component of a project and receive no government subsidies.

14. What are the implications of restricting tenants' leases to a maximum of 12 months?

Co-operatives do not have tenants and do not offer their members leases. Occupancy is governed by an occupancy agreement, which has no term, and an occupancy by-law which runs for 21 years.

15. In existing projects, how are in-situ tenants treated?

In Ontario, every effort is made by co-operatives purchasing existing buildings to encourage the tenants to become members. If substantial rehabilitation is required existing tenants are asked to leave and given the first right of refusal on the renovated units. In all other situations involving multiple unit projects, tenants are allowed to stay on. The Co-op cannot force tenants to join the co-op. If they elect to remain as tenants they are fully protected by the Landlord and Tenant Act.



16. How frequently, and under what conditions, has the Option to Purchase in the non-profit program been exercised?

N/A

17. What is the extent of municipal subsidies being applied to the project?

Municipalities in Metropolitan Toronto do not provide any development assistance or subsidies to co-operative housing projects.

18. Have provinces or others imposed rules which hinder the achievement of federal objectives?

No. The Province of Ontario is not involved in the administration of the co-op housing program.

19. How effective is disentanglement of the Non-Profit program?

This does not apply to the co-op housing program.



## **APPENDIX "A"**

**Position Paper: "On The Definition of Goals  
Of CMHC's Social Housing Program**



# Co-operative Housing Federation of Toronto Inc.

299 queen street west, suite 501, toronto, ontario m5v 1z9 tel: (416) 598-1641

POSITION PAPER

December 1980

## On the Definition of Goals of

## CMHC's Social Housing Program

### A. INTRODUCTION

At a meeting held on November 28th, 1980, representatives of CMHC and the Provincial Ministry of Housing met representatives of the Co-op Sector to discuss the CMHC/MOH sponsored study entitled "Evaluation of Non-Profit Housing Programs in the Province of Ontario".

The meeting was called to discuss concerns of Co-op Sector representatives with respect to various aspects of the study. One major area of concern related to the "definition of program goals". The proposal put forward by Woods Gordon, the consultant hired by CMHC/MOH to carry out the study, stipulated that "...precise definitions of the targets and goals of the old and new program must be established early in the study process." CMHC representatives indicated that this had, in fact, been done and that the goal of the three non-profit housing programs, municipal, private and co-operative were identical, namely: 'the provision of affordable housing for low and moderate income households'. It was indicated that the study would evaluate the success of the non-profit program in achieving this goal.

How well does the program work? Is it cost effective? Are the subsidies going to the right people? How does it compare to private sector programs aimed at providing market rental housing? These are some of the questions the study is asking.

It seems, however, that some very important aspects of the non-profit program have been overlooked. The narrow definition of program goals outlined above negates the basis upon which the non-profit programs have been built. CMHC/MOH officials involved in this study have ignored the rationale behind policy changes that have resulted in non-profit housing programs replacing the public housing programs of the past.



B. NON-PROFIT HOUSING - MORE THAN JUST 'AFFORDABLE'

A look at the Annual Reports published by CMHC in 1978 and 1979 supports the view held by Co-op Sector representatives that the goal of the non-profit program goes beyond 'providing affordable housing for low and moderate income households'. The 1978 Annual Report, for example, states that:

Recent policy changes have shifted the emphasis away from the public housing programs, which have acquired some negative social implications, and have strengthened those programs such as non-profit and co-operative housing which are privately financed and which help people to help themselves.

The report goes on to say that the success of the non-profit program has made possible:

...the phasing out of the old public housing program which tended to isolate low-income people, in favour of the privately financed non-profit and co-operative programs which allow a more acceptable blending of population groups and are more responsive to the plans and priorities of local governments.

CMHC's 1979 Annual Report indicates that the 1978 amendments to the National Housing Act reflected, "...the increased emphasis on the provision of subsidized housing by means of non-profit and co-operative housing". CMHC clearly recognizes that there is something more to the non-profit programs than the provision of 'affordable housing'. The social mix, or blending of population groups achieved through the programs is viewed as a worthwhile goal, as is the increased responsiveness to local needs and desires cited above. In short, the non-profit programs established in 1973 and strengthened by the 1978 amendments are seen to be a more socially acceptable means of providing housing for low and moderate income Canadians than the traditional public housing programs.



CMHC itself considers the non-profit programs an integral part of it's 'Social Housing Program'. What is 'Social Housing'? As defined by the terms of reference of the CMHC/MOH study social housing is simply housing that is affordable to low and moderate income households. It is our contention, however, and we believe that CMHC has generally shared the view that 'social housing' is much more than just 'affordable housing'. Most importantly, it is housing built for Canadians that is 'not-for-profit'. It is affordable housing that will remain affordable as a result of it's continuing non-profit nature. The development of a stock of housing that is not built for profit, but rather for people, is the development of a valuable Canadian asset. The non-profit housing programs are building a national resource by using public dollars to meet public needs permanently.

Tenants living in housing 'built-for-profit' are typically paying more and getting less, in terms of the size, quality and state of repair of their housing with each passing year. "Good quality, affordable housing" the catchphrase of CMHC's Social Housing Program, has become increasingly difficult to find. Housing is bought and sold as an investment; rents are increased as much and as often as government controls and market conditions allow and the 'profit motive' dictates the extent to which maintenance programs are carried out.

The non-profit housing program has developed and flourished in direct response to these conditions and the goal of the program - the creation and expansion of a stock of not-for-profit housing that will be affordable on a continuing basis to low and moderate income households - is one that is not being addressed by any other program.



C. CO-OPERATIVE HOUSING - MORE THAN JUST NON-PROFIT

Municipal non-profits, private non-profits and non-profit co-operatives all share the goal defined above. Housing co-operatives, however, go one step further and the difference between the co-ops and the two other forms of non-profit organizations must be taken into consideration in any evaluative study.

Co-op housing does more than create and expand the stock of affordable not-for-profit housing. It provides affordable not-for-profit housing that is owned and managed by the residents themselves. In so doing the co-op housing program establishes a form of tenure significantly different than that of private or municipal non-profit housing.

Tenants in municipally or privately owned non-profit buildings are dependent on the judgement of a Board of Directors living outside the community for decisions relating to maintenance and overall management of the non-profit project. Decision-making power lies beyond the non-profit community, in the boardroom of a municipality or charitable foundation.

Non-profit co-operative housing brings that decision-making power into the co-operative community, where members depend on themselves and their neighbours for decisions that determine how the community will be run. Members experience participatory democracy in action; each co-op member learns that his or her voice can and will be heard, that the individual can have meaningful input into decisions that affect their daily lives.

Housing co-ops offer the practical means by which people can put their skills and interests to work. Every member, regardless of age or income, can contribute to the community. Members establish policies democratically and develop programs and services that reflect their particular interests and concerns.



The goal of the co-op program is not simply to provide affordable places for low and moderate income people to live, but also to build self-governing communities in which the members have direct democratic control. The co-op program is building communities in which the experience of co-operation is breaking down the isolation between people and replacing it with relationships and interdependencies built on the satisfaction of mutual needs and desires.

D. SUMMARY

In defining the goals of the non-profit program in the narrow terms described in the introduction to this paper, representatives of CMHC and the Ministry of Housing involved in the 'Evaluation of Non-Profit Programs in the Province of Ontario' have overlooked the very aspects of the program that make it so unique and important. The very 'social' nature of the social housing program has been ignored, as has the continuing 'not-for-profit' nature of the non-profit programs.

Furthermore, in not defining what makes the co-op program different from the other two non-profit forms CMHC/MOH officials have refused to acknowledge the important social benefits derived from the development of self-governing co-operative communities.

How important is the development of such communities in Canada today? Should government housing programs just provide affordable places to live? It is our position that they can and are doing much more, and that the results of any evaluative study will only be meaningful if some of the broader 'social' goals of the non-profit program are taken into consideration.













